

87-1796



IN THE
Supreme Court of the United States
OCTOBER TERM, 1978

Metro Passbook, Inc., a Michigan corporation,
the true name of which is Metro Passbook Corporation,
a Michigan corporation, presently known as
Metro Club, Inc., a Michigan corporation,
Petitioner,

v.

Metro Passbooks Corporation, a Pennsylvania
corporation, the true name of which is Metro Passbook,
Incorporated, Richard Natow and Alfred Krawitz,
Respondents.

Court of Appeals No. 76-1831

**PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF
APPEALS FOR THE SIXTH CIRCUIT**

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Metro Club, Inc., a Michigan corporation, by and
through its attorney, Lawrence W. Rattner, petitions for
a writ of certiorari to review the decision of the United
States Court of Appeals for the Sixth Circuit affirming
the judgment of the District Court of the United States
for the Eastern District of Michigan, Southern Division,

and denying petitioner's subsequent petition for rehearing en banc, requesting reversal of the trial court vis-a-vis its decision that the appellant be permanently enjoined from using the trademark "Metro" in the Philadelphia market area.

OPINION BELOW

The memorandum opinion and judgment entered by the trial court, the District Court of the United States for the Eastern District of Michigan, Southern Division, is appended hereto as Appendix A (15) Both the memorandum opinion and judgment were filed by the Court on March 24, 1975. The order of the Sixth Circuit Court of Appeals filed February 9, 1978, affirming the judgment of the District Court, is appended hereto as Appendix B. (36) The order of the Sixth Circuit Court of Appeals filed March 21, 1978, denying petitioner's petition for rehearing en banc is appended hereto as Appendix C. (37)

JURISDICTION

The orders of the Sixth Circuit Court of Appeals dated February 9, 1978 and March 21, 1978, affirming the judgment of the District Court and denying the petition for rehearing en banc, respectively, denied the specific relief prayed for in this petition for certiorari. The jurisdiction of the District Court was invoked based upon the diversity of citizenship of the parties. The jurisdiction of this court is invoked under 28 U.S.C. § 1254(1). This petition for writ of certiorari was filed within ninety (90) days of the Court of Appeals' denial of petitioner's petition for rehearing en banc.

QUESTION PRESENTED

MAY A JUNIOR USER OF A TRADEMARK, ACTING IN BAD FAITH, WITH SOME DESIGN INIMICAL TO THE INTERESTS OF THE FIRST USER, AND WITH KNOWLEDGE OF THE PRIOR USE OF SAID MARK BY THE SENIOR USER IN ANOTHER GEOGRAPHIC AREA, PREVAIL OVER THE SENIOR USER VIS-A-VIS THE RIGHT TO USE SAID TRADEMARK?

STATEMENT OF THE CASE

On October 8, 1968, petitioner and defendants below entered into a "franchise agreement" which authorized the defendants-appellees to enter into the discount passbook business in the metropolitan New York City area.

The product, a discount coupon passbook, is a book of several hundred pages containing discount coupons which permit the bearer to receive a discount on goods purchased from the merchant represented by the respective coupon.

The defendants, hereinafter designated "respondents", proceeded to the New York City area and, after a brief stay, moved to Philadelphia. The respondents arrived in Philadelphia on or about October 12, 1968 and commenced business.

This case arose as a result of petitioner's claim that the subject franchise agreement was breached by the respondents and that they continued to use the disputed trademarks "Metro" and "VIP" without petitioner's permission. Accordingly, petitioner sought below to recover damages; the return of the trademarks

to its use and ownership; and, injunctive relief against the respondents' use of those trademarks.

At the close of proofs, the District Court concluded, *inter alia*, that the respondents, the junior users of the trademark "Metro", were entitled to a permanent injunction with respect to their use of the mark in the Philadelphia market area. (34) The trial court filed its judgment on March 24, 1975 and included injunctive relief with respect to the petitioner's use of the "Metro" name in the Philadelphia market area. (35) The Sixth Circuit Court of Appeals affirmed the District Court's judgment on February 9, 1978, and denied petitioner's petition for rehearing en banc on March 21, 1978.

The petition for rehearing was directed specifically to the question of error vis-a-vis the trial court's ruling regarding the "Metro" name. Accordingly, petitioner files the within petition for a writ of certiorari to review the question presented by the District Court's ruling regarding the "Metro" name and the failure by the Sixth Circuit Court of Appeals to reverse or remand that ruling.

In support of its ruling regarding the "Metro" name, the trial court concluded as follows:

A. Petitioner was the senior user of the disputed mark, "Metro". Respondents were the junior users of the mark, but the first users of the disputed trademark in the Philadelphia area.

B. No franchise agreement had been executed between the parties vis-a-vis the use of the trademark in Philadelphia; nevertheless, the court below found as a matter of fact that the respondents intended to give the appearance that they were acting in compliance with a valid franchise agreement.

C. The respondents knew of petitioner's intention to expand its business operations into the Philadelphia area.

D. When the respondents subsequently ended up in Philadelphia, instead of New York City, they saw the chance to operate independently of petitioner and intended to do so. The respondents, however, knew they could not operate their business without petitioner's assistance and thus made minimal and inconsequential gestures to give the appearance that they were in compliance with the franchise agreement between the parties.

The petitioner, on appeal to the Sixth Circuit Court of Appeals, argued that a franchise agreement had been executed between the parties vis-a-vis the use of the trademark in Philadelphia. Assuming, however, *arguendo*, that there was no binding agreement between the parties, the petitioner argued that it should, nevertheless, have exclusive right to use the mark "Metro" in the Philadelphia area. Based upon the trial court's findings of fact and the facts referred to in its conclusions of law, the petitioner argued that the respondents were knowing junior users acting in bad faith and with a design inimical to petitioner's interests as first or senior user of the mark. It is petitioner's contention that, based upon these facts, Federal authority has consistently held against the junior user and, thus, the trial court's decision should have been reversed. The Court of Appeals did not agree with petitioner's petition and affirmed the decision of the court below. Petitioner moved for a rehearing solely on the question of whether the Court of Appeals should not have reversed or remanded the District Court's judgment regarding the use of the trademark, "Metro". The Sixth Circuit denied the petition for rehearing.

REASON FOR GRANTING THE WRIT

THE DECISION OF THE SIXTH CIRCUIT COURT OF APPEALS IS CONTRARY TO FEDERAL CASE AUTHORITY WHICH HAS CONSISTENTLY HELD AGAINST A KNOWING JUNIOR USER OF A TRADEMARK ACTING IN BAD FAITH AND WITH A DESIGN INIMICAL TO THE INTEREST OF THE SENIOR USER.

Notwithstanding Petitioner's undisputed senior use of the METRO trademark, the trial court decided the parties' respective rights vis-a-vis its use in the Philadelphia area in a most summary manner, to-wit:

... it must be clear from our previous finding, that (Respondents) are not and never have been bound by a franchise agreement with (Petitioner) and that (Respondents) could adopt "Metro" for their own in Philadelphia. (Petitioner) never operated in Philadelphia prior to 1973 and thus has no prior territorial claim that is superior to that of (Respondents) (27)

The Court's understanding of the law and its application to the status of a junior user is absolutely at odds with Petitioner's view of the same law. The Court gave considerable weight to the fact that Petitioner did not conduct business in Philadelphia prior to the Respondents; further, that there was no "competition" between the parties prior to the Petitioner's first entry into the Philadelphia market.

The court considered neither Petitioner's prior use of the METRO trademark, nor Respondent's devious design, and, thus, the court's opinion cannot be dispositive of its ownership.

The legal principle which holds that priority of appropriation is a significant fact to be considered in determining exclusive right to the use of a given

trademark has long been recognized by the courts. *Delaware & H. Canal Co. v. Clark*, 13 Wall 311, 323, 20 L Ed 581, 583; *McLean v. Flemming*, 96 U.S. 245. Those cases dealt with parties competing under the same mark in the same territorial market place. The principle was extended however to parties trading in remote territorial market places in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 36 S Ct 357 (1916); and later in *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 39 S Ct 48 (1918). The court in *Hanover* distinguished between a good faith, innocent, subsequent (or junior) user and a junior user with knowledge who acts in bad faith as follows:

In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in *separate markets wholly remote* the one from the other, the question of prior appropriation is legally insignificant; *unless* at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like. (At Page 361) (Emphasis added.)

The *Hanover* court held that the defendant, the junior user, could not be enjoined from using the trademark in question in a geographical area remote from the area in which plaintiff was using the same mark. Defendant, in *Hanover*, however, had no knowledge of plaintiff's prior use of the mark and thus was characterized as an innocent and good faith user. The trial court in the case

at bar had no such high opinion of the Respondents Natow and Krawitz. The court characterized their conduct as follows (21):

. . . (Respondents) were well aware of their deficiencies in the business they were about to launch. They knew full well that without Kersh's assistance they could not do the job. Thus, they made minimal and inconsequential gestures to give the appearance that they were in compliance with the "franchise" agreement. They attempted to get along personally with Kersh, all this was to keep money, material and manpower coming out of Detroit. In short, (Respondents) wanted to keep their options open, to play, "both ends of the stick." If (Respondents) were successful in their new venture they could break away completely. If not, they could attempt to enforce the contract by various means (including a lawsuit such as contemplated by Natow in conjunction with David West in 1969).

The principle of law suggested by *Hanover*, and supported by subsequent case law, can easily be applied, in Petitioner's favor, to the facts in the case at bar. Natow's conduct and, ". . . design [was] inimical to the interests of the Petitioner." *Hanover*, cited above at Page 361. Respondents knew of Petitioner's use of the trademark, and more important, were aware that plaintiff intended to sell its product in the Philadelphia market. Indeed, Petitioner believed that it was doing so with the assistance of Respondents. (21)

The question confronting the court in *Adam Hat Stores v. Scherper*, 45 F Supp 804, was whether the defendant junior user had the right to adopt and use the word

ADAM as a trademark for hats. The junior user had located his store in Milwaukee, Wisconsin, in October, 1935. Plaintiff, whose business was established in 1924, first entered defendant's territory in January, 1939. Both parties traded in hats and accessories and both used the ADAM trademark. The court held for the plaintiff senior user notwithstanding the defendant's attempt to rely upon *Hanover*, to-wit: that the second user of a trademark, in a territory not already occupied by the first user, is entitled to use of that mark in that territory. The court stated:

. . . even under the old rule (*Hanover*) there was a well established exception that the second user must have innocently adopted the mark and must show it was not adopted for the purpose of forestalling the first user's extension of his mark in that territory. . . . our inquiry should, therefore, be directed as to whether the defendant's choice of the name "Adam" was in good faith. (At Page 806)

The court in *Adam* held that the defendant knew of plaintiff's trademark and, further, that the adoption of the trademark ADAM was not in good faith. (At Page 806)

It should be noted, as well, that the court in *Adam* considered that likelihood that the first user would extend its use of the mark from one territory to another. This appears to be yet another fact considered by the courts in the application of the *Hanover* case. Thus, if the second user not only has knowledge of the senior user's prior use of the trademark, but, in addition, knows that the use of the mark will be expanded, the courts are more likely to find that the junior user has acted in bad faith. The courts characterize the junior

user's conduct as interference with the senior user's, "... opportunity to expand," and they will enjoin the second user's use of the mark. *Food Fair Stores v. Food Fair*, 177 F2d 177, 183 (1949); *Sweet Sixteen Co. v. Sweet "16" Shop*, 15 F2d 920.

Certainly, the trial court in the case at bar was convinced that Petitioner intended to expand its operations and use of the trademark. It made the following material finding of fact (22):

Kersh wanted to expand the Metro operation to numerous major cities in North America, including Chicago, Los Angeles, Toronto, Miami and elsewhere. Although operations in some of these cities were defunct, he listed them on his business cards in an attempt to appear more successful than otherwise was the case. It was thus in keeping with his grandiose aspirations that Kersh nursed a fledgling Metro operation in Philadelphia.

Petitioner's theory of the case is discussed in some detail in *Pike v. Ruby Foo's Den, Inc. of Maryland*, 232 F2d 683 (1956). The plaintiff in that case had operated a restaurant in New York City under the name RUBY FOO'S and had been financially interested in a restaurant later opened in Washington, D.C. under that same name and trademark. In dispute was the ownership of the trade name RUBY FOO'S DEN. Plaintiff, the senior user, asserted that the Washington restaurant, the junior user, acquired the name RUBY FOO by license and thus had no right of ownership in the name. The Court of Appeals remanded the matter so that the trial court could determine whether a valid license agreement existed. The trial court had ignored the existence of a license and based its ruling below in

favor of the junior user on the thesis that development of trade names in one geographical area does not bar use by another in a different area. Thus, the Court of Appeals was constrained to discuss the theory cited by the trial court and did so at pages 685 and 686 of its opinion. The court assumed *arguendo*, as in the case at bar, that the purported license agreement never existed. Even if that were true, the court argued, the trial court decision should be reversed for the reason that its application of the rule in *Hanover* did not take into account the junior user's knowledge of the senior user's use of the trademark. In *Pike*, as in the case at bar, there was no question that the junior user had notice of the senior user's use of the disputed trademark. The court continued:

The Federal cases are virtually unanimous against a knowing junior user. (Cases cited) . . . at least one commentator has concluded that "the presence of notice is the determinative factor, usually sufficient in itself to bar the second user's claim." *Developments in the Law-Trademarks and Unfair Competition*, 68 Harv L Rev 814, 858 (1955), at Page 686.

The Petitioner's theory and the cases cited do not turn on the presence or absence of a contract, license or other agreement between the parties. Nor does the secondary significance of Petitioner's mark affect its argument. *TraveLodge v. Siragusa*, (D.C.M.D. Alabama, 1964) 141 USPQ 719. Further, virtually all of the facts required by Petitioner for a successful application of its theory can be abstracted from the trial court's Memorandum Opinion (15-33).

Further, competition is not a significant factor to be considered by the court.

Instead of competition between the parties, the courts reviewing this issue have seemed more concerned with the second user's knowledge of any prior use of the mark wherever that use may have been, and the "existence or non-existence of good faith on the part of the second user. . ." *Food Fair Stores, Inc. v. Lakeland Grocery Corp.*, 302 F2d (1962). *Pike v. Ruby Foo's Den, Inc. of Maryland*, cited above. See also *Nims on Unfair Competition and Trademarks*, § 218b, Page 649; *Developments in the Law-Trademarks and Unfair Competition*, 68 Harv L Rev 814, 858 (1955).

Similarly, the courts have considered not whether there was competition between the parties in a given geographical area, but rather whether the geographical area "was beyond the reach of the probable expansion of the plaintiff's business." *Food Fair Stores, Inc. v. Lakeland Grocery Corp.*, cited above, at Page 161.

In *Food Fair Stores, Inc. v. Lakeland Grocery Corp.*, cited above, plaintiff, the senior user, sued to enjoin defendant from using the trade name FOOD FAIR in the operation of defendant's retail grocery business in the State of Virginia. It was agreed that plaintiff had never done business in Virginia. There was, however, some indication that plaintiff might, in the future, expand in that direction. Moreover, defendant knew of plaintiff's prior use of the trade name. On appeal, the court held in favor of plaintiff and did so for the most part based upon defendant's lack of "good faith."

In *Safeway Stores v. Sklar*, 75 F Supp 98 (1947), the court concluded, at page 103, the plaintiff's business was, "virtually unknown to the general consuming

public," in the disputed market area. Nevertheless, the plaintiff, senior user of the SAFEWAY trade name, prevailed, and again the court cited *Hanover* (cited above) and the fact that the defendant had selected the disputed trade name, "with some design inimical to the interests of the plaintiff." (At Page 104). The court concluded:

By enjoining the defendant from using the designation "Safeway" in connection with his store, we are aware that the practical effect of such action is to extend protection to plaintiff's trade name in a territory in which it has *only potential customers*. However, it is felt that defendant's bad faith merits this result. (At Page 105, emphasis supplied).

The court below in the case at bar noted Petitioner's interest in expansion (22); the Respondent, as well, knew that Petitioner valued their relationship because it expanded the sale of Petitioner's product into new territory. Respondents' appropriation of Petitioner's trademark, METRO, was clearly inimical to the Petitioner's interests.

The trial court's reasoning, as cited in its Memorandum Opinion, considered only the fact that Respondents were the first to use the trademark in Philadelphia. Both the trial court and the Court of Appeals ignored the critical facts, to-wit: that the Respondents were knowing junior users, acting in bad faith and in a manner inimical to Petitioner's interests. Therefore, the Court of Appeals was clearly erroneous when it affirmed the lower court's decision vis-a-vis its disposition of the trademark "Metro."

CONCLUSION

It is therefore respectfully submitted that this Court should grant the petition for a Writ of Certiorari to review the important question posed by the case at bar.

Respectfully submitted

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Dated: June 16, 1978

EXHIBIT A

[1] MEMORANDUM OPINION

(United States District Court
 For the Eastern District of Michigan
 Southern Division)

(Metro Passbook, Inc., a Michigan Corporation, Plaintiff, vs. Metro Passbooks Corporation, a Pennsylvania Corp., the true name of which is Metro Passbook, Inc., a Pennsylvania Corp., Richard Natow and Alfred Krawitz, Defendants. Civil Docket No. 39270)

(Filed March 24, 1975)

Findings of Fact and Conclusions of Law

1. THE COMPLAINT

1. Plaintiff is a Michigan corporation engaged in the business of distributing discount coupon passbooks in the area of Detroit, Michigan.

2. Defendant corporation is a Pennsylvania corporation engaged in the business of distributing discount coupon passbooks in the area of Philadelphia, Pennsylvania.

3. Defendants, Richard Natow and Alfred Krawitz, are officers and stockholders of defendant corporation and citizens of the State of Pennsylvania.

4. David Kersh is the principal officer and stockholder of plaintiff corporation, and a citizen of the State of Michigan. The actions of David Kersh and those of plaintiff are virtually synonymous.

[2] 5. In January, 1968, defendants, Natow and Krawitz, planned to start a discount coupon passbook in the Detroit area which was to be marketed under the name "Kaleidoscope." By July, 1968, approximately 42 restaurants had been signed to "Kaleidoscope" contracts.

6. In late April or May, 1968, Natow and Krawitz were contacted by Jerome Beale, a principal of Metro Passbooks Corporation, which already was engaged in the business, which defendants hoped to enter, of distributing discount coupon passbooks in the Detroit metropolitan area. Beale brought Natow and Krawitz together with David Kersh, the other principal in the Metro operation, and after some discussion it was agreed that Natow and Krawitz would go to work for Kersh. The employment relationship would begin in June or July of 1968.

7. It was felt by all the parties that the employment relationship would be mutually beneficial. Kersh would pay Natow and Krawitz \$30.00 to \$50.00 for the "Kaleidoscope" contracts, and would further train them in the art of distributing and selling discount coupon passbooks and soliciting contracts on behalf of plaintiff.

8. During the employment period, which lasted until early October, 1968, Natow and Krawitz performed various services for Metro. They worked the Michigan State Fair selling passbooks over the counter, they solicited restaurants, and arranged group sales.

9. While there is some dispute as to defendants' success in their endeavors for Metro, a reasonable conclusion based upon the evidence is that they sold 600 books between July and October, 1968, which should have resulted in commissions of \$900.00. They also should have earned through their group sales an

additional \$300.00. Defendants signed up about 15 restaurants [3] for \$300.00 worth of commissions. These, added to the \$1,500.00 due for their "Kaleidoscope" contracts, total \$3,100.00. The only testimony as to reimbursement for these services was that defendants received \$200.00 from Metro. Therefore, \$2,900.00 is owing to defendants.

10. In September, 1968, discussions began between defendants and David Kersh as to the possibilities of the former entering into a franchise agreement for the New York City area. David Kersh was at this time desirous of creating a Metro Passbook operation in several large market areas across the United States. He desired, if all went well, that plaintiff corporation would go public.

11. The parties engaged in serious contract bargaining and on October 8, 1968, met in Kersh's office to sign an agreement. A typed franchise agreement was examined by Natow and Krawitz and several changes were thought necessary. The parties made these changes in handwriting and initialed them. They then signed the agreement.

12. The October 8, 1968, agreement was witnessed by David West. His deposition testimony, supported by other evidence, clearly indicates that the parties intended the agreement to be a binding contract. The parties did intend, however, to have the agreement retyped, incorporating the final changes, and that another signing would take place in approximately 3 weeks. It was impossible to do otherwise, for Natow and Krawitz were to immediately leave for New York. There is no question but that Kersh desired defendants' signatures on a written franchise agreement before they left Michigan, and that Natow and Krawitz were

anxious to strike out on their own, but under the guidance of the more experienced and financially sound Metro operation. Thus a signed contract was desired.

[4] 13. A retyped version of the October 8 franchise agreement was prepared a few days later and was signed by David Kersh, who made a notation on the contract to the effect that Natow and Krawitz were to sign it also in 3 weeks. Natow and Krawitz never signed the retyped agreement, and subsequent events proved out quite differently than originally planned.

14. On October 10 or 11, 1968, defendants arrived in New York City. It took but one day for them to decide that the City was overwhelming. They drove on to Philadelphia, Pennsylvania, on October 12, 1968, and found the area much more to their liking. They immediately began their business operations using the contract forms, business cards and other materials provided for them by Metro for use in New York City.

15. The events and the actions of the parties which followed the defendants' initiation of the Philadelphia venture do not indicate a typical and harmonious franchise relationship. David Kersh presented the retyped October 8, 1968, agreement to defendants for their signature. A rider had been attached making the agreement applicable to Philadelphia. Defendants refused to sign it and have never signed it. Defendants contacted an attorney who told them that the agreement was invalid and that they should and could operate an independent business in Philadelphia. On October 24, 1968, Natow penned a letter to Kersh from his motel room rejecting any agreement.

16. Balanced against these actions were certain positive actions taken by defendants which conformed

with the terms of the agreement. Information was sent to Kersh relative to the counties in which defendants were to do business. On October 15, 1968, defendants paid Kersh \$500.00; the initial franchise fee. On October 26, Natow wrote to Kersh advising him of the Philadelphia organization's name, office address, and other information as required under the franchise agreement. He also [5] requested manpower help from Detroit. By February of 1969, Kersh in fact had traveled to Philadelphia to enable defendants to get out their 1969 passbook. So had Jerome Beale and Metro employees, Clifford Neeley and Greg Pollock. The efforts and results of these visits were insignificant — token, at best.

17. David Kersh printed the defendants' first passbook in February, 1969. It was a commercial failure, despite the fact that defendants hired Jerome Beale and his wife to work for them in late March or early April, 1969. Beale had gone to Philadelphia as a Metro associate; his hiring away by defendants is perhaps indicative of the fierce competition and rivalry between the parties.

18. In May, 1969, defendants began work on their second passbook. They continued to ask for and received token help from David Kersh. Defendants continued to perform various minor acts as required by the franchise agreement, such as sending distributor and sales lists to plaintiff. Kersh sent advice and advertising material to defendants. The second passbook was eventually printed. Like the defendants first book, it was identical in appearance to plaintiff's books. The cover only of the second book was paid for by plaintiff. The bulk of the cost of the book was paid for by defendants.

19. By the fall of 1969, relations between the parties were broken. As must be obvious, this relationship was strained from the very beginning. A dispute arose over the printing costs of the second book and Kersh's attempts to stop it from being printed. A grossly inflated bill was subsequently sent by Kersh to defendants for the printing costs. In the meantime, defendants had paid no royalties nor franchise fees beyond the initial \$500.00. It was not until December 3, 1969, that Kersh made a formal statement to defendants relative to breach of a franchise agreement.

20. Commencing October, 1968, Kersh spent \$11,616.50 on the defendants' Philadelphia operation, much of this for the [6] printing of the first book.

21. In December, 1970, plaintiff sued defendants in federal court in Philadelphia alleging breach of the franchise agreement. This suit was dismissed without prejudice on or about July 3, 1972.

22. At no time have the parties ever signed a franchise agreement for the Philadelphia area. Despite plaintiff's contentions, there does not ever appear to have been a specific oral agreement between the parties to amend the October 8, 1968, agreement to apply to Philadelphia.

Conclusions of Law

Having found that the parties entered into a binding contract for the New York City area, and having further found that this contract was not amended by a subsequent writing or oral agreement for the parties, the remaining question is whether the actions of the parties served to amend the contract to apply to the Philadelphia area. It is defendants' contention that their acts were indicative of nothing more than a loose

working arrangement between the parties and were not a modification of the contract. The Court agrees with this view of the relationship between the parties for the following reasons.

It is apparent that from the day defendants arrived in Philadelphia that a serious approach — avoidance conflict existed with respect to their desire to enter into a franchise agreement with plaintiff. Upon leaving Detroit for New York City, defendants considered themselves bound by a contract. Without it, they would have been on their own in obtaining the start-up materials and other backing necessary to publish a discount coupon passbook. But when defendants subsequently ended up in Philadelphia, instead of New York City, they saw the chance to operate independently. They consulted an attorney who told them [7] that they were not bound by the agreement in Philadelphia. Defendants had the materials they needed to start the book. Therefore, they informed Kersh that they were on their own.

But defendants were well aware of their deficiencies in the business that they were about to launch; they knew full well that without Kersh's assistance, they could not do the job. Thus, they made minimal and inconsequential gestures to give the appearance that they were in compliance with the agreement. They attempted to get along personally with Kersh. All this was to keep money, material, and manpower coming out of Detroit. In short, defendants wanted to keep their options open; to "play both ends of the stick." If defendants were successful to their new venture, they could break away completely. If not, they could attempt to enforce the contract by various methods (including a law suit such as that contemplated by Natow in conjunction with David West in 1969).

If it is clear that defendants' actions toward David Kersh were a charade, it is also clear that Kersh was willing to play the same game. Kersh wanted to expand the Metro operation to numerous major cities in North America, including Chicago, Los Angeles, Toronto, Miami and elsewhere. Although operations in some of these cities were defunct, he listed them on his business cards in an attempt to appear more successful than otherwise was the case. It was thus in keeping with his grandiose aspirations that Kersh nurse a fledgling Metro operation in Philadelphia. Ultimately, the Philadelphia operation might prove successful. Kersh and defendants could mutually benefit one another in that case by joint offerings, magazine distribution, pooling of printing and binding services, and so forth. And, if the Philadelphia operation failed, Kersh could then send in another operative; this time under a binding Philadelphia franchise agreement. At any rate, Kersh had little choice but to maintain a loose working arrangement with Natow and Krawitz, for the third possibility was that the latter could sever ties with Kersh, thereby establishing a perhaps successfully operating competitor [8] to any attempted establishment of a Metro franchise in Philadelphia. That this working agreement failed is apparent by this lawsuit.

The only conclusion which can be reached upon the facts of this case is that the franchise agreement of October 8, 1968, was not modified or amended by the subsequent actions of the parties to be applicable to Philadelphia. Therefore, plaintiff has no cause of action against defendants for their Philadelphia activities.

Plaintiff is entitled to recover expenses incurred in connection with defendants' Philadelphia operations, less the amounts owing defendants for their services and labor performed while in plaintiff's employ. Plaintiff is thus entitled to compensation in the amount of \$8,716.50.

II. THE COUNTER CLAIM

Findings of Fact

1. In the fall of 1970, defendants printed their 1971 book and adopted the name "Metro VIP." The first use of the "VIP" name both in intra and interstate commerce was on or about September 9, 1970. No use of the "VIP" mark for discount books was known prior to defendants' use. Subsequently, the defendants applied for and were granted a registered* service mark for the name "VIP." The original of this registration has been introduced into evidence as Exhibit 149.

2. Plaintiff has never used "VIP." Some testimony may have had a reference to the use of "VIP" by plaintiff in 1970, but no publication showing the use of "VIP" was introduced. Plaintiff has never sought registration of the "VIP" name. Plaintiff never used "VIP" in connection with discount book sales [9] until 1973, when it made use of the "VIP" name in the Philadelphia market.

3. In May, 1973, plaintiff, through the personages of its president, David A. Kersh, and Richard Kersh (the brother of David A. Kersh), one of its directors (see annual report — Exhibit 109), entered the Philadelphia market and attempted to solicit restaurants for a coupon book business. The business was commenced under the name "Metro" and, subsequently, "VIP" was also used.

4. As a result of this activity, defendants filed their counterclaim in June of 1973, and on August 31, 1973, the Honorable Lawrence Gubow granted Defendants' Motion for Preliminary Injunction and prohibited plaintiff from publishing or using the name "Metro" in

*Date of registration: August 28, 1973; filed: August 7, 1972, No. 967,221.

connection with its passbook business in the Philadelphia area. The court also permitted defendants to file their counterclaim which, at the time, was limited to one count for unfair competition.

5. In the summer of 1973, David A. Kersh incorporated "The Metro Club, Inc." and "V.I.P. Passbook, Inc." in the State of Pennsylvania, and continued doing business in the Philadelphia market (see Exhibits 128 and 129).

6. Despite the preliminary injunction against the plaintiff, in the late fall of 1973, plaintiff published its first edition "Money Saver" passbook containing coupons, all of which had the word "Metro" on the top. On December 28, 1973, the Honorable Lawrence Gubow found the plaintiff in contempt of court for violation of the August 31, 1973, preliminary injunction. Certain sanctions were imposed at the December 28, 1973, hearing and by the court's order of January 22, 1974. The first edition "Money Saver" passbook (Exhibit 123) and plaintiff's advertising also used and infringed upon defendants' registered service mark "VIP."

[10] 7. Plaintiff failed to comply with these sanctions and, sometime in January or February of 1974, came out with its second edition "Money Saver" passbook (Exhibit 124) which, in addition to containing prohibited references to the word "Metro," contained additional violations of defendants' registered service mark "VIP."

8. On April 25, 1974, this Court found the plaintiff in contempt for a second time, again imposing certain sanctions. In addition, this Court granted Defendants' Motion for Leave to File Amended Counterclaim, which amended counterclaim contained a Count II alleging infringement of the defendants' registered "VIP" service

mark. This Court also granted Defendants' Motion for a Preliminary Injunction and enjoined the plaintiff from making any use of the "VIP" name in connection with the passbook business in the Philadelphia area.

9. Plaintiff continued to violate this Court's orders, and continued the sales of both its first and second edition "Money Saver" passbooks in the Philadelphia area. By this time, however, plaintiff's selling season had passed, and it was, in effect, unable to sell any further book in the Philadelphia area. Defendants' counsel filed its third Motion for Contempt Judgment on June 17, 1974. On July 29, 1974, this Court found plaintiff in contempt for the third time, but did not impose sanctions, as it felt that there had been some compliance and that many of the sanctions at that point in time were moot.

10. The evidence submitted by plaintiff (see the pleading entitled "Distributor List") shows that plaintiff sold 4,056 of the first "Money Saver" book. This showing is made by fair inference from the fact that 10,000 books were printed and 5,944 were returned for destruction. The Court has found that the distribution list is the accounting required by its orders. No accounting, although such was ordered by the Court on July 29, 1974, has been [11] made of the second book. Sales of all 5,000 books printed can therefore be presumed. Plaintiff has not offered any testimony to the contrary.

Conclusions of Law

A. Unfair Competition

Having commenced operations in Philadelphia during April or May, 1973, David Kersh and his brother, Richard, approached various restaurant owners —

prospective participants in their discount coupon passbook — and represented that plaintiff (or its newly formed franchise under Richard Kersh) was the owner of the "Metro" name, that it was the defendants' franchiser, owned defendants, and that defendants would be put out of business. In some instances, plaintiff may have attempted to palm itself off as defendant, however, the main thrust of plaintiff's approach was that plaintiff would soon be the only book in town and that the restaurant owner should do business with plaintiff rather than defendant. This lawsuit was pending at the time that these representations were made, thus to some extent the statements of the Kersh's may have been believed by them; but certainly much of what was said was either false or much exaggerated.

Defendants claim a loss of sales due to plaintiff's tactics of approximately 12,000 to 14,000. This figure was arrived at by noting that in 1973, defendants sold 24,000 to 25,000 books and that through July or August of 1974, only 12,000 books had been sold. Defendants calculations are quite speculative in that they fail to consider the fact that the 1973 book had no competition, whereas the plaintiff's 1974 book would very likely have cut into defendants' sales even absent plaintiff's representations. Thus, while it is certain as far as this Court is concerned, that plaintiff's activities constituted unfair competition, it is not so certain what damages, if any, may be [12] attributable to those activities.

Defendants do not claim that the loss of some contracts with restaurants caused their 1974 book to be diminished in size or that it was inferior in quality from the 1973 book. In fact, the 1974 book is visibly larger. To the consumer, the 1974 book would appear to

be an improved package over that which may have previously been purchased. The consumer would not be aware of the dealings between plaintiff's representatives and various restaurants. Nevertheless, defendants have demonstrated adequately that plaintiff caused them to lose certain contracts, that the final 1974 book was smaller and thus less desirable to the consumer, and that defendants likely suffered damage in the form of lost sales thereby.

Defendants also point to as a further example of unfair competition the use by plaintiff in Philadelphia of the "Metro" and "VIP" names. With respect to "Metro," it has not been established which party had or now has the right to the name in Philadelphia. This Court enjoined plaintiff from using the name pending the outcome of this lawsuit, but at trial, little was said on the issue. Yet, it must be clear from our previous finding, that defendants are not and have never been bound by a franchise agreement with plaintiff and that defendants could adopt "Metro" for their own in Philadelphia. Plaintiff never operated in Philadelphia prior to 1973 and thus has no prior territorial claim there that is superior to that of defendants. In fact, plaintiff apparently acquiesced in defendants' use of the "Metro" name. Defendants therefore have a right to sell their passbook in Philadelphia under the "Metro" name and plaintiff does not. Plaintiff's attempt to do so violated this right. The question is, then, to what extent did defendant suffer damage from plaintiff's use of the "Metro" name within the context of the unfair competition claim?

The first book sold in Philadelphia by plaintiff was entitled [13] "Money Saver." The cover contained no "Metro" mention and was not remotely similar to

defendants' book. Plaintiff's book, in fact, was larger in every dimension and to this Court's mind, appears to be a superior product. On each page of the first book was the word "Metro." In a similar position on each page of defendants' book was the word "VIP." Thus, there is an obvious difference in every facet of the appearance of the competing books. Would a consumer buy plaintiff's book thinking that it was buying that of defendants'? Only because of the use of the word "Metro" on the coupons would the consumer be possibly confused. Parenthetically, the references to "VIP" in plaintiff's books is so insignificant as to cause, in our view, no lost sales to defendants.

It is impossible to ascertain with any certainty the loss sustained by defendant by virtue of the methods employed by plaintiff which have been found to constitute unfair competition. By far, the majority of any loss in sales in 1974, can be attributed to the presence of a competing book of high quality, and not to any other factor. Nevertheless, this Court believes that it would be unjust to not allow any damages to defendants. Worse, it would allow plaintiff's behavior to go unpunished. The evidence has been carefully examined and this Court believes that it supports the conclusion that plaintiff's actions accounted for a loss in sales of about 600 books, or about 5% of defendants' lost sales for the 1974 season. At an average selling price of \$7.50, defendants are entitled to \$4,500.00 in damages. Defendants are further entitled to a permanent injunction regarding the use of the "Metro" name in connection with the publication of their discount coupon passbook in the Philadelphia area.

B. Infringement of the "VIP" Service Mark

15 USC § 1114(1)(a) provides a right of action against "any person who shall, without the consent of the registrant — " use the registrant's mark in commerce where such use "is likely [14] to cause confusion, or to cause mistake, or to deceive. . . ." The defendants' registered service mark has been used in commerce by plaintiff in the publication of its discount coupon passbook and its advertising materials and its corporate name since August, 1973, when plaintiff entered the Philadelphia market. At that time, plaintiff was well aware of defendants' prior use of "VIP" in Philadelphia in connection with their passbook. The violation of defendants' mark by plaintiff is thus virtually undisputed. It remains to be determined whether defendants are entitled to damages.

15 USC § 1117 provides that, "when a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover, (1) defendants' profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action."

Defendants have counterclaimed for damages, seeking all of plaintiff's profits on the first and second edition books and asking that this amount be trebled. Defendants also request actual damages and attorney fees.

The pecuniary recovery under 15 USC § 1117, "is subject to the principles of equity and a mere showing of infringement will not mandate an award of monetary

relief," *Robert Bruce, Inc. v. Sears Roebuck & Co.*, 343 F Supp 1333, 1348 (ED Pa, 1972); *Champion Spark Plug Co. v. Sanders*, 331 US 125 (1957). The *Robert Bruce* case makes it clear that equitable considerations are tried to the intent and conduct of the infringer (although intent is not determinative of the issue of infringement).

It is recognized that there are degrees of intent such as [15] deliberate, willful or fraudulent. In *Century Distilling Co. v. Continental Distilling Corp.*, 205 F. 2d 140 (CA3 1952), willful and fraudulent intent are distinguished. If the infringer acts with full knowledge of the rights of the owner of the mark, his intent is willful; if he acts to deceive the buying public, his intent is fraudulent. Damages will not always be awarded where the infringer's conduct is not fraudulent. *McCormick & Co. v. B. Manischewitz Co.*, 206 F.2d 744 (CA 6 1953) is such a case. However, the case law is not consistent, as pointed out by Judge Becker in *Robert Bruce, supra*, at 1349, who thus established the following balancing test:

"The fairest reading that we can make of the caselaw is that the equity of intent should not be viewed in the abstract, but must be balanced with the other factors of the case. To be more specific, the Court, in an exercise of discretion, must balance the evil of the infringer's intent or conduct against the actual or likely harm to the innocent trademark owner (i.e., its direct pecuniary losses, such as loss of direct sales, or its indirect pecuniary losses, such as a diversion of its profits to the defendant). Therefore, the more fraudulent the intent or conduct of infringer is found to be, the lesser the plaintiff need show actual or likelihood or pecuniary

harm, for we must keep in mind that the trademark laws are designed to protect not only the trademark owner but the consuming public as well." 343 F Supp 1333, 1349

While the necessity of showing actual or likely pecuniary harm decreases as the infringer's intent or conduct becomes more fraudulent, the converse is also true; as the fraudulent intent decreases, the greater the showing which must be made by the owner of the mark of actual pecuniary harm. Since it must be clear from the preceding discussion that defendants have suffered speculative and at best *de minimus* damages it must be shown that plaintiff's intent and conduct was fraudulent and willful so as to deliberately cause confusion in the marketplace and to divert sales to its product from that of defendants. On the basis of the evidence before this Court, such a showing has not been made.

[16] In our discussion of the unfair competition claim, it was made clear that this Court does not believe that defendants were significantly damaged by plaintiff's illegal activities. To reiterate, the majority of defendants' lost sales are to be attributed to the mere presence in the marketplace of a competing book. Of significance to this finding is the conclusion that the competing books were quite dissimilar even considering that their purpose was the same. To our mind, the buying public would not be confused by the products nor the references in plaintiff's book to "VIP," which can only be noticed upon a careful analysis of the product. Defendants produced no testimony from any individual to the effect that he or she was confused by the competing books. Thus this case is to be distinguished from *Century Distilling Co. v. Continental Distilling Corp.*, *supra*, wherein the district court found

that although the infringer did not intend or expect that the public would confuse its product with that of the mark owner's, nevertheless, confusion did occur. Here, confusion did not occur; furthermore, plaintiff did not intend that there be confusion in the marketplace.

If plaintiff had wanted to trade on defendants' mark and thereby divert sales or cause confusion, it could have done a better job of it. The use of "VIP" by plaintiff appears to be another spark in the continuing feud between these bitter rivals. Its use was deliberate, but in our view was done primarily to antagonize defendants. This does not indicate a fraudulent intent. It does, however, indicate requisite knowledge so as to establish willful conduct. Therefore, for the purposes of applying the balancing test of *Robert Bruce*, we have on one side a showing by defendants of speculative and/or inconsequential damages due to plaintiff's infringement of the mark. On the other side, we have plaintiff's willful but non-fraudulent use. The result is not dissimilar to that reached in the *Robert Bruce* case where no damages were allowed. But prior to our reaching a like conclusion here, a further word should be said about the equitable [17] nature of this proceeding.

This opinion hopefully leaves the impression that the parties to this lawsuit have not conducted themselves according to the ethical standards which businessmen would normally be expected to follow. Both are guilty of sharp practices toward one another and in that respect come into this Court without clean hands. This element of the case could easily be a factor in our refusal to award damages to defendants, since the awarding of damages is based upon equitable considerations. However, it is not necessary, considering the other factors present to do so.

We conclude that defendants are entitled to a permanent injunction with respect to its service mark and therefore the temporary injunction will be made permanent. Defendants are not entitled to damages.

III. ATTORNEYS FEES IN CONNECTION WITH APRIL CONTEMPT HEARING

On April 25, 1974, a hearing was held wherein this Court found defendants in contempt for having violated the injunctive order issued by the Honorable Lawrence Gubow on August 31, 1973. Reasonable attorneys' fees and costs were awarded to defendants in connection with that hearing. The amount of expenses was settled upon by counsel for both parties at a conference in chambers in the sum of \$1,292.24. Defendants' counsel has requested reasonable attorneys' fees in the amount of \$3,750.00 for Detroit counsel and \$475.00 for Philadelphia counsel. Having examined this request carefully, it is this Court's belief that reasonable fees should be awarded defendants' Detroit counsel in the amount of \$2,500.00 and for Philadelphia counsel in the amount of \$300.00. The total of expenses and fees which defendants are entitled to is, therefore, \$4,092.24.

[18] IV. CONCLUSION

A. Plaintiff is entitled to recover on its complaint the sum of \$8,716.50 from defendants.

B. Defendants are entitled to recover from plaintiff on their counterclaim the sum of \$4,500.00.

C. Defendants are entitled to a permanent injunction with respect to their use of the "VIP" service

mark. Therefore, the injunction issued by this Court on April 25, 1974, is hereby made permanent.

D. Defendants are entitled to a permanent injunction with respect to their use of the "Metro" name in the Philadelphia market area. Therefore, the injunction issued by this Court on August 31, 1973, is hereby made permanent.

E. Defendants are awarded attorneys' fees and costs in the amount of \$4,092.24 in connection with the April 25, 1974, contempt proceedings.

Judgment will be entered in accordance with the above.

/s/ James Harvey
United States District Judge

Dated: March 5, 1975

JUDGMENT

(United States Court of Appeals For the Sixth Circuit)

(Metro Passbook, Inc., a Michigan corporation, the true name of which is Metro Passbook Corporation, a Michigan corporation, presently known as Metro Club, Inc., a Michigan corporation, Plaintiff-Appellant, vs. Metro Passbooks Corporation, a Pennsylvania corporation, the true name of which is Metro Passbook, Incorporated, Richard Natow and Alfred Krawitz, Defendants-Appellees.)

(Filed March 24, 1975)

At a session of said Court held in the Federal Building, County of Wayne, City of Detroit, Michigan, on the 13th day of March, 1975.

Present: Honorable James Harvey, United States District Judge.

The above action having come on for trial before the Court, Honorable James Harvey, United States District Judge, presiding, the issues having been tried, post-trial briefs having been submitted by the parties, and the Court having issued a Memorandum Opinion dated March 5, 1975.

IT IS ORDERED AND ADJUDGED that:

A. Plaintiff is entitled to recover on its complaint the sum of \$8,716.50 from defendants.

B. Defendants are entitled to recover from plaintiff on their counterclaim the sum of \$4,500.00.

C. Defendants are entitled to a permanent injunction with respect to their use of the "VIP" service mark. Therefore, the injunction issued by this Court on April 25, 1974, is hereby made permanent.

D. Defendants are entitled to a permanent injunction with respect to their use of the "Metro" name in the Philadelphia market area. Therefore, the injunction issued by this Court on August 31, 1973, is hereby made permanent.

E. Defendants are awarded attorneys' fees and costs in the amount of \$4,092.24 in connection with the April 25, 1974, contempt proceedings.

HENRY R. HANSSEN, Clerk

/s/ Sara E. Bigsby
Courtroom Deputy Clerk

Dated: March 13, 1975

EXHIBIT B**ORDER**

(United States Court of Appeals
For the Sixth Circuit)

(Filed February 9, 1978)

(Metro Passbook, Inc., a Michigan corporation, the true name of which is Metro Passbook Corporation, a Michigan corporation, presently known as Metro Club, Inc., a Michigan corporation, Plaintiff-Appellant, vs. Metro Passbooks Corporation, a Pennsylvania corporation, the true name of which is Metro Passbook, Incorporated, Richard Natow and Alfred Krawitz, Defendants-Appellees.)

Before WEICK, EDWARDS and MERRITT, Circuit Judges.

Upon consideration of the briefs, the joint appendix, and oral arguments of counsel, we are of the opinion that the trial before the District Judge was conducted without the commission of prejudicial error, and that the judgment is supported by substantial evidence.

It is therefore ORDERED that the judgment of the District Court be and it is hereby affirmed.

ENTERED BY ORDER OF THE COURT

/s/ John P. Hehman
Clerk

EXHIBIT C**ORDER**

(United States Court of Appeals
For the Sixth Circuit)

(Filed March 21, 1978)

(Metro Passbook, Inc., a Michigan corporation, the true name of which is Metro Passbook Corporation, a Michigan corporation, presently known as Metro Club, Inc., a Michigan corporation, Plaintiff-Appellant, vs. Metro Passbooks Corporation, a Pennsylvania corporation, the true name of which is Metro Passbook, Incorporated, Richard Natow and Alfred Krawitz, Defendants-Appellees.)

Before WEICK, EDWARDS and MERRITT, Circuit Judges.

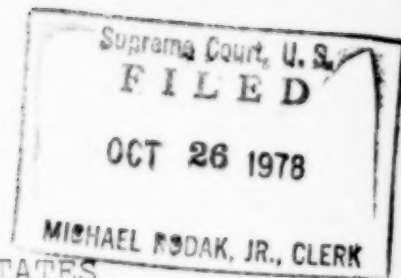
No active Judge of this Court having requested that a vote be taken on the suggestion for en banc consideration of the petition for rehearing, said petition for rehearing was referred to the panel for consideration.

Upon consideration thereof it is our opinion that the appeal was correctly decided and that the petition for rehearing is without merit.

It is therefore ORDERED that the petition for rehearing be and it is hereby denied.

ENTERED BY ORDER OF THE COURT

/s/ John P. Hehman
Clerk



IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1978

* * *

Metro Passbook, Inc., a NO. 77-1796
Michigan corporation, the
true name of which is
Metro Passbook Corporation,
a Michigan corporation, Court of
presently known as Metro Appeals
Club, Inc., a Michigan No. 76-1831
corporation,
Petitioner,

v.

Metro Passbooks Corporation,
a Pennsylvania corporation,
the true name of which is
Metro Passbook, Incorporated,
Richard Natow and Alfred
Krawitz,
Respondents.

* * *

PETITION FOR REHEARING OF APPELLANT'S
PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

* * *

Lawrence W. Rattner
Attorney for Petitioner
903 Ford Building
Detroit, Michigan 48226
(313) 965-9696

IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1978

* * *

Metro Passbook, Inc., a NO. 77-1796
Michigan corporation, the
true name of which is
Metro Passbook Corporation,
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corporation,

Petitioner,

v.

Metro Passbooks Corporation,
a Pennsylvania corporation,
the true name of which is
Metro Passbook, Incorporated,
Richard Natow and Alfred
Krawitz,

Respondents.

PETITION FOR REHEARING OF APPELLANT'S
PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

Petitioner, Metro Club, Inc., by and
through its attorney, Lawrence W.
Rattner, petitions for rehearing of this
Honorable Court's denial of petitioner's

Petition for Writ of Certiorari to the
United States Court of Appeals for the
Sixth Circuit.

Petitioner, in its petition for Writ
of Certiorari, argued that the decision
of the Sixth Circuit Court of Appeals
was contrary to federal case authority.
The decision, if permitted to stand,
would effectively change the state of
the law vis-a-vis the respective rights
of senior and junior users of a given
trademark.

Respondents, in their Answer to the
Petition for Writ of Certiorari,
referred this court's attention to
language by the trial court in its
Memorandum Opinion suggesting that the
petitioner had, "acquiesced in defen-
dants' use of the 'Metro' name."
Respondents argued that the petitioner,

although a senior user of the disputed mark, could not prevail against a knowing junior user for the reason that petitioner had abandoned the disputed trademark and had acquiesced in its use by respondents. Respondents cited E. F. Pritchard v. Consumers Brewing Company, 136 F 2d 512 (CA 6, 1943) in support of their theory.

The Pritchard case, unlike the case at bar, considered the contractual rights of the parties to a disputed mark. It is patently not in point. The dispute in the case at bar arises out of the common law right to a trademark in the absence of any contractual relationship between the parties.

Petitioners argue that to prove abandonment the respondents must show by clear and convincing evidence that

petitioner had ceased to use the "Metro" mark and, further, did not intend to resume its use. See 3 Restatement Torts, §752; McCarthy, Trademarks and Unfair Competition, §§17:3-4; Anno: Trademark or Tradename-Abandonment, 3 ALR2d 1226. Trademarks may, indeed, be lost by abandonment. Abandonment, however, is the concurrence of an intention to abandon and an act or omission by which such intention is carried into effect. Saxlehner v. Eisner & Mendelson Co., 179 US 19; 21 S Ct 7; 45 L Ed 60 (1900). Aside from the incidental reference to acquiescence by the trial court, there is no other reference in the trial court's opinion to facts which would support the defense of abandonment or acquiescence.

Moreover, the trial court made the material finding of fact that both petitioner and respondents knew of petitioner's intention to continue use of the disputed mark. See P. 10, Petition for Writ of Certiorari.

Petitioner's conduct does not suggest that it intended to abandon the trademarks or acquiesce to their exclusive use by the respondents in the Philadelphia area. This conclusion is supported by the court's express finding of fact notwithstanding its incidental reference to petitioner having, "apparently acquiesced" in respondents' use of the disputed mark. This would seem to be the only serious defense raised by respondents and, petitioner argues, the trial court's findings of fact do not permit application of this

theory. Hegar Products Co. v. Polk Miller Products Corporation, 47 F 2d 966, 18 CCPA 1106 (1931); Polaroid Corp. v. Polarad Electronics Corp., 287 F 2d 492 (CANY, 1961).

CONCLUSION

The decision in the court below, as affirmed by the Sixth Circuit Court of Appeals, is clearly contrary to federal case law. It is therefore respectfully submitted that this court rehear petitioner's Petition for Writ of Certiorari and review the important question posed by the case at bar.

Respectfully submitted,

Lawrence W. Rattner
Attorney for Petitioner
903 Ford Building
Detroit, Michigan 48226
(313) 965-9696

CERTIFICATE OF COUNSEL

PURSUANT TO RULE 58

* * *

United States of America)
State of Michigan) SS.
County of Wayne)

Lawrence W. Rattner, counsel for
petitioner in the within cause, being
duly sworn deposes and saith:

That he is the attorney representing
petitioner in the within cause and that
he certifies that the within Petition
for Rehearing is filed pursuant to
Rule 58, Supreme Court Rules, and is
presented in good faith and not for
delay. Further, counsel certifies that
the petition is made on substantial
grounds available to petitioner although
not previously presented, to-wit:
that petitioner has not, in pleadings

filed with this Court, discussed
respondents' defense of abandonment.

Lawrence W. Rattner
Attorney for Petitioner

Subscribed and sworn to before
me this October 25, 1978

Donna Marie Stockfish
Notary Public, Wayne County,
Michigan
My commission expires:
February 3, 1980

77-1798

Supreme Court, U.S.
FILED

JUL 19 1978

MICHAEL RODAK, JR., CLERK

IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1978

METRO PASSBOOK, INC., a
Michigan corporation, the
true name of which is
METRO PASSBOOK CORPORATION,
a Michigan corporation, pre-
sently known as METRO CLUB,
INC., a Michigan corporation,

Petitioner,

Court of
Appeals No.
76-1831

vs.

METRO PASSBOOKS CORPORATION,
a Pennsylvania corporation,
the true name of which is
METRO PASSBOOK, INCORPORATED,
RICHARD NATOW and ALFRED
KRAWITZ,

Respondents.

ANSWER TO PETITION FOR WRIT
OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

Rodman N. Myers, for
Butzel, Fruhauf, Keidan,
Simon, Myers & Graham
(formerly Butzel, Levin,
Winston & Quint)
Attorneys for Respondents
1990 First National Bldg.
Detroit, Mich. 48226
(313) 961-7900

IN THE

SUPREME COURT OF THE UNITED STATES

METRO PASSBOOK, INC., a
Michigan corporation, the
true name of which is METRO
PASSBOOK CORPORATION, a
Michigan corporation, pre-
sently known as METRO CLUB,
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Court of
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METRO PASSBOOKS CORPORATION,
a Pennsylvania corporation,
the true name of which is
METRO PASSBOOK, INCORPORATED,
RICHARD NATOW and ALFRED
KRAWITZ,

Respondents.

ANSWER TO PETITION FOR WRIT
OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

Respondents make answer to
the Petition as follows:

Respondents are satisfied
with Petitioner's presentation of
jurisdiction.

Question Presented

WAS RESPONDENT A JUNIOR USER OF A TRADE-
MARK ACTING IN BAD FAITH?

Statement of the Case

Throughout Petitioner's
statement of the case, references are
made to the trial court's findings with-
out quotation or specific reference.
Respondents believe certain references
to those findings are misleading. Ex-
pressly, Respondents take issue with the
reference to the trial court's conclu-
sions relating to the "Metro name" ap-
pearing in paragraphs numbered B through
D on pages 4 and 5 of Petitioner's brief.
The trial court's Memorandum Opinion is
19 pages in length and is extremely de-
tailed. The finding of the trial Court
that relates to the issue presented by
Petitioner appears on page 27 of Petit-
ioner's brief as follows:

"Yet, it must be
clear from our pre-

vious finding, that defendants are not and have never been bound by a franchise agreement with plaintiff and that defendants could adopt 'Metro' for their own in Philadelphia. Plaintiff never operated in Philadelphia prior to 1973 and thus has no prior territorial claim there that is superior to that of defendants. In fact, plaintiff apparently acquiesced in defendants' use of the 'Metro' name. Defendants therefore have a right to sell their passbook in Philadelphia under the 'Metro' name and plaintiff does not. Plaintiff's attempt to do so violated this right." (emphasis supplied)

When the above excerpt from the trial court's Memorandum Opinion is added to the statement of the case, Respondents are satisfied.

Reason for Denying the Writ

THE DECISION OF THE SIXTH CIRCUIT COURT OF APPEALS IS IN ACCORDANCE WITH FEDERAL CASE AUTHORITY WHICH HAS HELD THAT A KNOWING JUNIOR USER MAY, WITH THE SENIOR USER'S ACQUIESCENCE, MAKE USE OF THE MARK.

Respondents have no quarrel with Petitioner's view of the law as set forth in pages 6 through 13 of its brief. However, the facts in the case do not support a theory of bad faith junior user. As noted in Respondents' Statement of the Case, the trial court found "...plaintiff apparently acquiesced in defendant's use of the 'Metro' name." (Trial Court's Memorandum Opinion found in Petitioner's Brief, page 27.) Since there was acquiescence, Petitioner's arguments are not worthy of consideration.

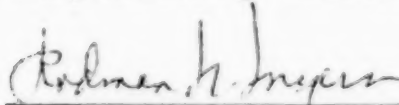
The case law relating to an acquiescing senior user may be found in E. F. Pritchard v Consumer's Brewing Company, 136 F 2d 512 (CA 6, 1943). In Pritchard, the court held that permission to use a mark in an area where the owner's goods have not become known and identified by his use, is a "naked license" and is void, resulting in abandonment by the

licensor of any right to the mark in
such area.

Conclusion

There being no showing that
the Sixth Circuit Court of Appeals has
found contrary to federal case authority,
the Petition should be denied.

Respectfully submitted,



Rodman N. Myers
for Butzel, Fruhauf, Keidan,
Simon, Myers & Graham
(formerly Butzel, Levin,
Winston & Quint)
1990 First National Bldg.
Detroit, Michigan 48226
(313) 961-7900

Dated: 7/12/78